



US ARMY NAF EMPLOYEE BENEFITS PROGRAM

New Benefit Program Enhancements and Employee Options During the Health Benefit Plan Selection Period

October 18th thru November 12th, 2004

Oct 2004

INFORMATION BULLETIN FOR HRO PERSONNEL

We will conduct only a Health Benefit Plan Selection Period this year from October 18th thru November 12th, 2004. The purpose of this bulletin is to provide information on this Plan Selection Period and other Benefit Program initiatives for the coming year, 2005

PUBLICITY

We will be mailing a NAF Employee Benefits Brochure on or about October 12th by First Class mail to the home addresses of each of the nearly 17,000 NAF employees eligible for our benefit programs. The brochure explains what is available during the Health Benefit Plan Selection Period, as well as the new Benefit Program enhancements. This brochure will also be posted on the NAF Benefits web site, should you need to download it to make copies. We are also forwarding the employee brochure and the premium rates for 2005 as attachments to the email transmitting this HRO Bulletin.

PROCESSING PLAN SELECTION PERIOD TRANSACTIONS

The Open Season Event will be activated on NAF BENEFITS ON-LINE on October 16th, so that the system will be available for the start of your business week on October 18th. Since the opportunity to make any benefit changes during the Plan Selection Period is very limited, we anticipate very few transactions. If you have any Health Benefit Plan changes during this Plan Selection Period, they should be processed on the on-line system. The Open Season Event makes it possible for you to process all Open Season transactions, as well as benefit plan transactions not restricted to Open Season and demographic change transactions. The Open Season Event includes edits that will allow for only authorized transactions. When you have completed the transaction, the necessary forms will be available for printing. Please have the employee sign, file a copy in the OPF and forward the necessary forms to NAF Payroll to establish the correct payroll deductions and contributions. You should not send a copy to the Benefits Office unless you cannot do the transaction on line. The Open Season Event will be deactivated on the on-line system on November 13th. Should you experience any difficulty using the on-line system, please contact one of our systems administrators.

EMPLOYEE OPTIONS DURING THIS LIMITED PLAN SELECTION PERIOD

During this Plan Selection Period this year, employees will only be able to make certain health benefit plan elections if they are currently participating in a Health Benefit Plan, either the DODHBP or an HMO. The following benefit options are available:

- ❑ Employees who are currently participating in a health insurance plan may change plans at their current level of participation. They may not increase coverage, by changing from single to family coverage, nor can they add dental. Employees may cancel their coverage altogether.
- ❑ Employees may not join or increase their coverage in the Life Insurance Plan without evidence of insurability.
- ❑ Employees may not join the Group Long Term Care Plan without evidence of insurability.
- ❑ Employees will have the option of declining the feature of our health insurance plan that allows them to pay the employee share of the premium with pre-tax dollars.
- ❑ NOTE: All changes and cancellations will be effective January 1st, 2005.

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HEALTH BENEFIT PLAN PREMIUMS

Premiums for the DOD Health Benefit Plan will increase only modestly for 2005. After years of double digit premium increases, DODHBP premiums will increase only 4.5% for 2005. There will be no increase in dental premiums for 2005. HMO rates are continuing to increase at a greater rate than the DODHBP rates. Therefore, we anticipate a continued migration from the HMO's to the DODHBP. Please ensure that employees are aware of these increases, so they can plan accordingly. The employee/employer premium share split remains at 30/70 for 2005 for the DODHBP. The split for HMOs remains at 50/50 unless there is a local negotiated union agreement. The new premiums for 2005 for all our Health Insurance Plans are being forwarded to you as a separate attachment. These rates will also be posted on our web site, www.NAFBENEFITS.com.

DODHBP PLAN CHANGES FOR 2005

There are a few changes to the DODHBP, which will be effective January 1st, 2005. For the most part, the liberal benefits included in the DOD Health Benefit Plan will remain unchanged for 2005, except for two cost saving measures that are necessary to meet the rising cost of prescription medications and emergency room treatment. Those changes, explained in detail in the Information Packets, involve modest increases in copays. Additionally, we are expanding emphasis on preventive care by providing online tools to help employees manage their care, and we will introduce Healthy Outlook, a new voluntary disease management program to help employees with certain chronic illnesses. These DODHBP Plan changes are described in detail in the DODHBP Info packets.

INFORMATION MATERIALS

Aetna has made bulk shipments of DOD Health Benefit Plan Information Packets to Human Resources Offices. You should receive sufficient packets for all NAF employees who are currently enrolled in the DODHBP, plus some additional packets for HMO participants who may be considering converting to the DODHBP. The packet contains a comprehensive overview of plan changes for 2005, including a letter of explanation, a highlights flyer, new Summary of Benefits charts, and other useful information. Employees have been advised in their Benefits Brochure to stop by their servicing personnel office to obtain their packet. For those installations where HMOs are available, please contact your local HMO Representative to obtain HMO information.

DODHBP ENROLLMENT KITS FOR NEW EMPLOYEES

In addition to the materials Aetna has shipped to each HRO for the Plan Selection Period, each HRO should have a supply of enrollment kits for new employees who elect the DODHBP. The materials in these kits have been updated for 2005. To order enrollment kits, use the Enrollment Materials Order Form that is located in the HRO Section of the NAF Benefits web site. The order form includes a list of the materials included in the Enrollment Kit. Instructions on ordering enrollment kits are included on the order form.

PRE-TAX HEALTH PREMIUM DEDUCTIONS

The Internal Revenue Code Section 125 Plan will continue in effect in 2005. This program allows employees to pay the employee share of the Health Benefit Plan premium with pre-tax dollars, thus reducing their taxable income and increasing their take-home pay. The health benefit plan premium will be deducted from the employee's pay prior to deductions for Federal Income Tax, Social Security, Medicare, and all state and local taxes, **except for the state of New Jersey and the Commonwealth of Puerto Rico**. This benefit will automatically continue in effect for 2005, unless the employee opts out of this program during this Plan Selection Period.

Because this benefit will automatically continue in effect for 2005, no action is required to enroll in this program. However, the **Internal Revenue Code does not allow an employee to cancel their participation in the Health Benefit**

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Plan during the Plan year, January 1 thru December 31, 2005, unless they terminate or have an approved life event. Therefore, employees will again have the option of declining participation in the program and continue to pay their Health Benefit Plan premiums with after-tax dollars. Employees who opted out of this program last year need not submit another opt out transaction for 2004. Their previous election to opt out will remain in effect.

LIFE INSURANCE PLAN

Employees may not enroll in the Life Insurance and Accidental Death and Dismemberment Plan, without evidence of insurability during this Plan Selection Period. If an employee would like to enroll in Group Life Insurance or increase their current coverage, Evidence of Insurability forms are located in the HRO restricted section of the web site. To process this request, use the Life Insurance Event in Benefits Online and then forward the necessary documentation to this office for approval. Do not forward any forms to NFS. If the transaction is approved, we will notify NFS of the transaction and the requirement to adjust premiums.

GROUP LONG TERM CARE PLAN

The Group Long Term Care (LTC) Plan will not be offered under guaranteed issue during this Plan Selection Period. However, employees may enroll themselves, their spouse, parents, grand parents and in-laws at any time with satisfactory evidence of insurability. The LTC Plan, offered by CNA, offers a wide range of features and benefit options at reasonable group rates, and rates do not increase as the participant grows older. For additional information and a rate calculator, sign on to the CNA customized web site. This site can be accessed by clicking on the CNA Long Term Care logo on the Benefits web site at www.NAFBENEFITS.com. The NAF Benefits web site also has a special LTC section. We provided LTC enrollment administration instructions to you in January 2003, as well as an information flyer for employees. These bulletins provide information on how to obtain enrollment kits, should you or an employee require them. These bulletins are available in the HRO restricted section of the web site under HRO Desk Reference and Updates. You may also obtain enrollment kits directly from CNA by calling 1-877-777-9072.

401(k) PLAN CHANGES FOR 2005

In accordance with the Economic Growth and Tax Relief Reconciliation Act, the maximum annual deferral for the 401(k) Savings Plan will be \$14,000 for calendar year 2005, an increase from the \$13,000 limit in 2004. Over age 50 plan participants may defer an additional \$4000 for a total of \$18,000. There is no percentage of salary limitation. Plan participants may change their deferral percentage, enroll in the plan or stop contributions at any time.

NEW 401(K) LOAN REPAYMENT PROCEDURE



For 401(k) Plan participants who choose to pay off their loans in a lump sum, Fidelity Investments has established a new loan repayment procedure. Previously, participants who chose to pay off their 401(k) loans in a lump sum, rather than continue payment by payroll deduction, forwarded their lump sum payment through the Employee Benefits Office. Effective November 1st, 2004, participants can pay off their loan balances directly to Fidelity Investments. This new procedure will substantially reduce the processing time for loan repayments. To pay off your 401(k) loan, just call the Fidelity Investments Customer Service line, toll free, at 800-835-5093, and ask for the loan payoff amount. Overseas participants should use the special overseas toll free number by calling the AT&T Direct Access Code and then 877-833-9900. To pay off their loan, the employee should send a short letter of instruction explaining that they desire to pay off a loan. The letter should include the plan number (90076), their full name, Social Security Number, Loan Number, and either a cashier's check or money order, for the correct amount of the loan and made payable to FIIOC. Loan repayments should be mailed to Fidelity Investments, ATTN: US Army NAF 401(k) Savings Plan (90076), P.O. Box 770001, Cincinnati, OH 45277-0018. Upon receipt, Fidelity will promptly clear the employee's loan balance.

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NEW RETIREMENT PLANNING AND INVESTMENT STRATEGY TOOLS

On December 1st, 2004 Fidelity Investments will make available to 401(k) Plan participants two new web based tools to assist them with planning for retirement and making investment decisions. Easily accessible from the Fidelity Investments web site, NetBenefits, 401(k) Plan participants will have unlimited use of Fidelity Portfolio Planner and Fidelity Retirement Income Planner. These financial planning tools are easy to use and provide employees with the help they need to invest wisely and plan for their financial security in retirement.

No matter where you are on the path to retirement, Fidelity's Retirement Planning Tools can help you quickly and easily understand if you could have enough to retire. If you're saving for retirement, Quick Check will allow you to see a snapshot of your current savings and the income it may generate in retirement. If you're in or approaching retirement, the Income Estimator will help estimate how much pretax income you may be able to safely withdraw from your Fidelity accounts throughout retirement. And Retirement Income Planner will help create a detailed retirement income plan that includes all assets, expenses, and income sources, which may help you achieve your desired retirement lifestyle.

You can access Fidelity Portfolio Planner® to plan for up to 10 financial goals and check your progress toward meeting those goals. This guidance tool allows you to evaluate how different savings and investing decisions may affect the potential of meeting your goals. Fidelity's online guidance tools can help you invest and plan for a more secure future.

To access these new online tools, go to the NAF Benefits web site, www.NAFBenefits.com. Click on the Fidelity logo in the 401(k) Section, and sign in to NetBenefits. Portfolio Planner and Retirement Income Planner are easy to find under the Savings and Retirement tab. There are several other new enhancements to the Fidelity NetBenefits web site. Sign on and take the tour to learn how to use Fidelity Workplace Services.

NOTE: For those employees who are currently using or would like to start using FINANCIAL ENGINES for their retirement planning, this online tool will continue to be available for their use for at least another year.



EMPLOYEE BENEFITS ONLINE

The implementation of Employee Benefits Online is going smoothly. Please refer to the HRO Implementation Instructions, which were distributed in September 2004. Those instructions are available in the HRO restricted section of the web site under HRO Updates. So far we have experienced only one technical glitch. One HRO reported receiving Service Requests from NAF employees who are assigned to other installations. The system is designed to forward the Service Request only to the servicing HRO. Theoretically, it is not possible for an HRO to receive a Service Request from an employee who they do not service. However, as is often the case with theoretically impossible things, this did happen. We have been unable to track the cause of the problem or recreate it. However, should you receive a Service Request from an employee who you do not service, please forward the Service Request to NAFBenefits@cfsc.army.mil, and we will route it to the correct HRO. This will also help us pin down the problem in the system that allows this to occur. We have included the following announcement about Employee Benefits Online in the employee brochure that is being mailed to their homes.

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We are pleased to announce the introduction of Employee Benefits Online. **NAF Employees can now access their Benefits Record through this new system.** You can now view and print a summary of your benefits data, including your current elections and personal information in the NAF Employee Benefits System, view and print your Personal Benefits Statement, which includes complete information on your benefit elections, the level of benefits you have elected, and an explanation of the cost and value of your benefits, and personal information, including dependent data and beneficiary designations, and submit a Service Request to correct or update your data.

EMPLOYEE BENEFITS ONLINE is secure and simple to use. Simply click or type this link <https://employeebenefitsonline.cfsc.army.mil>. At the login screen, enter your Social Security Number (without dashes). Then enter your PIN to login. For your initial entry into the system, your PIN will be your birth date, configured as MMDDYYYY. For example, if your birth date is the 4th of August, 1966, you would enter 08041966. You will then be asked to enter a new PIN. Your new PIN must be eight alpha/numeric characters. Please do not use any symbols; just letters and numbers. Once you're logged in, all the information you need is on the screens.

EFFECTIVE DATES OF BENEFIT PLAN CHANGES

All health insurance changes authorized during this Plan Selection Period will be effective January 1st, 2005, including cancellation of participation and Section 125 elections. The effective date for Life Insurance changes will depend on the date of approval. The effective date of Long Term Care enrollment will be the first day of the month following the issue of the insurance certificate by CNA. Both Long Term Care Insurance and Life Insurance have a requirement that the employee must be actively at work on or after the effective date. The effective date for 401(k) Plan changes will be the first full pay period after Payroll receives the request. Enrollment in the Retirement Plan is effective upon signing the enrollment.

The next full Open Season will occur during Oct-Nov of 2005 with changes effective 1 January 2006. Please inform your employees.

PLEASE LET US KNOW IF YOU NEED ANY ADDITIONAL INFORMATION CONCERNING THIS PLAN SELECTION PERIOD AND THE BENEFIT PROGRAM ENHANCEMENTS WE ARE IMPLEMENTING AT THIS TIME. PLEASE ADDRESS YOUR COMMENTS TO RONALD.COURTNEY@CFSC.ARMY.MIL. YOUR FEEDBACK IS IMPORTANT TO US.

FOR MORE INFORMATION ON ALL OUR BENEFIT PROGRAMS, PLEASE CONSULT THE WEB SITE WWW.NAFBENEFITS.COM OR CALL OUR TOLL FREE NUMBER (877) 384-2340.